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## CONGRESS AND THE CURRENCY.

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NEW YORK.

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THE salient fact that the *per capita* amount of currency in this country is, at the present moment, higher than it has ever been, and that it has steadily and regularly advanced during the past six years, shows that in a natural way, very little aided by legislation, the wants of the people for an increase of circulating medium—supposing these wants actually exist—have been met; and they have been met by means that seem to me to promise most for the future adjustment and settlement of this question.

In stating briefly my views upon the subject, I offer no apology for assuming Wall Street, the technical name of the monetary centre of the country, to be the place best equipped for a comprehensive view of the real situation as respects money and currency. Were several persons gathered in a room, some oppressed by heat, others uncomfortable from cold, and a third class pleased with the temperature, the arbiter of these conflicting opinions would be, by general consent, the thermometer. This view of Wall Street as the registering instrument of the financial temperature of the country, though trite and oft repeated, maintains its essential soundness amid all the passionate denunciation of those who

dissent from its registrations, or whose interests are interfered with by its infallible verdict. Every part of the country, every line of business, every shade of political opinion has its representatives, its reporters, its offices, in that famous street, which is the clearing house of all these diverse interests. When it catches with its acute ear the first note of returning prosperity, after a period of depression and insolvency, it is voted as benign by the hosts who are waiting for its favoring indications. When, on the other hand,—and to-day is a pat illustration—it detects excess, and sees with cool and dispassionate eye the evidences of ill-judged expansion, then it is denounced as malignant, disturbing, and an enemy of the true prosperity of the land. It is sufficient to refer to the record of Wall Street pointings in the past, to sustain the position that this vantage ground for judging the business and monetary field is not and cannot be equalled or excelled.

The prejudices against Wall Street are, of course, most active when the conditions of business are most unsatisfactory. The financial bureau of the nation is commonly supposed to be more pure and wise in the proportion of its lack of intimacy with Wall Street men and magnates. For years it has been the policy of most administrations to select a Secretary of the Treasury from among those who have no Wall Street antecedents; and this sensitiveness has been extended to the point of even making a banking experience rather a disqualification for that high office than a recommendation. With that perverseness in the conduct of the public service which is characteristic of republics, and conspicuously so of the American Republic, the qualification of a man for a great public office, like the Secretaryship of the Treasury, seems to be a total lack of experience in the line of duties for which it calls. The Secretary of the Treasury has had, in many instances, to spend a novitiate in education before he has finally grasped the import of his office, and sometimes this process of schooling has occurred at times of stress when the ripest knowledge of finance was demanded. Then, added to the inexpertness of the Secretary, is the insane dread of the contamination of Wall Street, the spot of all others where may be found the men who can give him the most comprehensive views of a national situation. To select a New York man who has been all his life familiar with the cares of finance, and who does not need a pre-

liminary training to enable him to grasp the meaning of a million of dollars, would be a conspicuous departure from hide-bound precedent, amounting to political suicide.

I do not feel, then, in any mood to apologize for views upon the currency situation obtained from the focus of these views, the City of New York and its financial centre. It is not to be denied that other centres will arise in the country, whose importance must be admitted in any judgment on the monetary situation, though Chicago seems at the present time to be the only one that need be considered.

The course of the money market, and by this I mean the Wall Street market, does not indicate, and has not indicated during this year, the necessity for an immediate amendment of our currency laws. To repeat, the *per capita* of circulation has grown steadily since the disturbance of 1893--6. Following on the popular verdict on silver rendered in 1896 by the election of Mr. McKinley, the *per capita*, which had declined from \$24.44 in 1892 to \$21.10 in 1896, began to rise with a regular precision. This increase is so indicative and remarkable that I quote:

1896.....	\$21.10	1900.....	\$26.94
1897.....	22.49	1901.....	27.98
1898.....	24.66	1902.....	28.43
1899.....	25.00	1903.....	29.04

If these figures evinced a tendency to decline, that might well create a disposition to remedy and meet the loss; but with a conceded growth of the country, there is also a natural increase of the money necessary to handle and encourage that growth. A deficiency and decline in currency would assuredly stifle it. The history of the past four years of unparalleled development and activity, does not show any insufficiency of money to facilitate the operation of business. The rates of interest, it is true, have been on a higher scale than for several years preceding the present outburst of activity, but not higher than was to be expected. Activity in business always stimulates activity in money. The changes in loans are more frequent, the search for funds more persistent, and these inquiries naturally result in raising rates. The cause of high rates in money seems to lie in this persistency of borrowers in seeking for money which has already a myriad of applicants for its favor. When money is offered, as it is in a dull market in all businesses, the rates fall; but when it is sought, as

it has been during the past four or five years, the fact that the rates have not been abnormally high demonstrates, to my mind, the adequacy of the present supply for all legitimate and conservative enterprises and operations, and stamps the demand for asset currency as unnecessary.

In the perfectly proper liquidation which we have witnessed this year, and which has been conducted on lines of the highest ability and financial strength, the question of money has played but a small part in the drama. At no time has the supply been insufficient; at no time have the rates been exacting or high. The perfectly natural recession from a high and inflated situation has been accomplished with a dignity and an exhibition of inherent strength in marked contrast to any other panic which has preceded it. Assuming the use of the word "panic" for such a rectification of financial frontiers to be correct, then the panic of 1903 has been the best behaved of any of our business cyclones, evincing, as it has done, the growing soundness of American methods, and an approach to that ideal conservatism which works towards a correction of excesses and over-trading,—and this in a deliberate and businesslike way, unaccompanied by the rapid and destructive declines that have hitherto marked our readjustments. It would, perhaps, be a little premature to assume that Clearing House certificates have had their day, but certainly the success of recent methods of retrenchment would seem to prove the adequacy of our increased wealth and resources to correct all overgrowths and disproportionate developments. I do not recede from an always strong opinion as to the perfect adaptability of the Clearing House certificates to the needs of the hour; but it would seem as if we had now grown strong enough to meet emergencies in another way, by what might be called the substitution of the homeopathic for the allopathic treatment.

The events of 1903 are an object lesson in currency matters that, to my mind, stamps asset currency as something not to be desired by the conservative, because tending, if adopted, to create an era of inflation from which dignified retirement would be impossible, and to invite a financial collapse.

If the present basis of national bank currency could be maintained and the present volume assured, nothing better could be asked. A national debt is a national blessing when it becomes the basis of a currency so confidently relied upon by the people as that

issued by the national banks. A reduction of taxation sufficient to prevent a further reduction of the national debt is, in my judgment, less objectionable than the elimination of the debt as a money basis, with the forced substitution of other and less satisfactory securities. Once open the door for new standards, and you will not be able to close it until some unwelcome visitors have gained admittance.

It has not escaped attention that the people themselves are taking a hand in currency expansion, to an extent with which bankers more than any other class are familiar. The changes in banking methods are very numerous, and, as the American custom is, they are carried to extravagance and extremes. I refer to the immense increase in bank accounts, and the enormous use of checks as a substitute for currency. In other days, not very remote, the keeping of a bank account was counted an indication of importance not to be unrespected. It was largely confined to business men and firms. In the past few years the increase in the number of individual accounts, of those of women and even minors, has been very great, and still goes on with accelerated rapidity. The use of checks is very large, the amounts are often ridiculously small. Whereas a few years ago a man blushed at drawing a check below twenty-five dollars, the complacency with which these domestic bills of exchange are issued for sums less than five dollars, and even for one dollar, is staggering to the banker accustomed to the old-fashioned regard for propriety in the use of the bank check. Nevertheless, this new habit means a substantial and, I believe, an unsuspected addition to our volume of currency. A five dollar check does the work of a five dollar bill, and becomes an issue of circulating medium. The whole people are engaged in issuing this small style of currency all over the land, and the natural increase of a custom so useful, although from a banker's standpoint so onerous, is sure to meet the want for more currency, which those in a larger field are anxious to provide for by an act for asset currency.

While, then, I have no favorable disposition toward such an act, believing that natural additions to the circulating medium by the coinage of gold and the general co-operation of the check-drawing public will be sufficient to meet our needs, one very important defect in our financial system undoubtedly demands the attention and action of Congress at its approaching session. That

defect lies in the imperfect methods of the United States Treasury in the receiving and disbursement of public funds.

The only monetary disturbance of the past six years that created any anxiety was the crisis of November, 1902, when the accumulations of public money in the Treasury, arising from large payments of duties and the inadequacy of legal provision for their redistribution among the people through the banks, resulted in congestion that threatened for a time to paralyze business. The exertions of Secretary Shaw, then new in office, to release the necessary funds are familiar to all readers. Also familiar are the ingenious and, as some have asserted, questionable methods he was obliged to employ to accomplish this desirable adjustment of an abnormal situation. The weight of opinion is in favor of Secretary Shaw's prompt action, but that there should exist legal doubts as to its propriety, while its wisdom was so heartily commended, brings us to the one great need of legislation at the approaching session.

The removal of this defect is paramount, and is at this time the only action required. Whatever may be the final form of the Currency Bill to be presented, any action which will make the Treasury of the United States a co-operator with the business man, and which will make the hoarding of money by the Government impossible, should receive the support of the press and the people. If we ship money to the West and South to move the crops, it can and does return to the centre which needs it most; if we load ocean steamers with ingots, there is always a possible way to bring them back; but once the useful coin has entered the United States Treasury, it leaves not only hope behind, but a wondering and anxious business community of American bankers and merchants, the victims of their own governmental machinery. The most that can be hoped for from Congress is the correction of this clumsy system. If we must have elasticity, let us begin with the Treasury, and that, I candidly believe, will be enough for our present necessities.

WILLIAM A. NASH.